

Debt Management



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Department Description

The Debt Management Department conducts planning, structuring, and issuance activities for all City financings to fund cash flow needs and to provide funds for capital projects, essential equipment, and vehicles. The Department also coordinates the Community Facilities District and 1913/1915 Act Assessment District formation procedures and related conduit bond issuances to fund public infrastructure. The Department monitors outstanding bond issuances for refunding opportunities and performs, coordinates, and monitors certain post-issuance administrative functions. The Department maintains the City's Investor Information webpage to provide outreach to current and prospective investors on bond disclosures, credit ratings, and the calendar of upcoming bond issuances. Debt Management works with the Office of the City Attorney, outside counsel, and other departments to administer debt service payments, monitor and report the City's compliance with bond covenants, coordinate the filing of annual continuing disclosure reports, and respond to bondholder and investor requests for information.

Debt Management performs as-needed financial planning and analyses for the Mayor and City departments. The Department works with Public Works, Public Utilities, Environmental Services, and the Capital Improvement Program Review and Advisory Committee (CIPRAC) in developing financial plans and identifying infrastructure funding for General Fund, Water, and Wastewater Systems.

Debt Management is organized into the following functional areas:

General Fund Financing and Administration

General Fund Financing and Administration coordinates the structuring and issuance of bond financings for City capital projects funded and secured by the City's General Fund and performs or coordinates various post-bond issuance administrative functions.

Enterprise Fund Financing and Administration

Enterprise Fund Financing and Administration coordinates the structuring and issuance of bond financings for City capital projects funded and secured by the City's enterprise funds and performs or coordinates various post-bond issuance administrative functions.

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Special Districts Financing and Administration

Special Districts Financing and Administration coordinates Community Facilities District and 1913/1915 Act Assessment District conduit formation procedures and related bond issuances. The Department also coordinates various post-issuance administrative functions including continuing disclosure filings and the enrollment process for assessments and special taxes with assistance from assessment and special tax consultants to maintain parcel databases and administer established special tax parcel taxing formulas.

Equipment and Vehicle Financing Program (EVFP)

EVFP Administration coordinates the City's lease purchase of essential vehicles and equipment typically over a 3- to 10-year term based on the useful life expectancy of the equipment. Examples include the following: fire trucks, refuse packers, service trucks, fire and police helicopters, and the Enterprise Resource Planning system. Various post-issuance administrative functions are performed related to the vehicle lease purchase program.

The Department's mission is:

To provide comprehensive and innovative debt management administration to meet the financing needs of the City in a cost-effective manner, taking into account City priorities, as well as legal, financial, and structural considerations

Goals and Objectives

The following goals and objectives represent the action plan for the Department:

Goal 1: Structure and implement capital financing plans

Structuring and implementing financings to provide funding in a timely manner for various essential projects is integral to the City's capital plan. The Department accomplishes this goal by focusing on the following objectives:

- Implement and execute financings with sound structuring consistent with the City's Debt Policy
- Ensure that the financings implemented are cost-effective

Goal 2: Use best practices

Use of best practices is vital to improving and maintaining an efficient and effective Debt Management administration. For example, strong disclosure practices improve the process of providing timely and accurate financial reporting to stakeholders. The Department accomplishes this goal by focusing on the following objectives:

- Ensure active investor outreach through the City's Investor Information Webpage
- Implement and execute financings and post issuance disclosures that adhere to the City's model disclosure practices
- Conduct regular review of the City's Debt Policy to ensure the City meets industry standards

Goal 3: Manage post-issuance compliance

Post-issuance compliance is an important process necessary for maintaining the tax exemption of interest on outstanding bond issues and in ensuring the City's compliance with federal securities laws. The Department accomplishes this goal by focusing on the following objectives:

- Ensure that ongoing covenant compliance monitoring, including making timely debt service payments, is conducted for all outstanding bond issuances
- Optimize returns from bond funds while ensuring needed liquidity and conforming to various bond covenants and requirements
- Perform timely reporting

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Goal 4: Hire, retain, and develop skilled employees and promote highest standards and ethical behavior

The Department accomplishes this goal by focusing on the following objectives:

- Promote and develop excellence through financial training in model bond issuance practices and expand skills through cross-training
- Facilitate the review of standards and ethical practices on a regular basis

Key Performance Indicators

Performance Measure	Actual FY2013	Estimated FY2014	Target FY2015
1. Percent of debt payments made to bond trustees on time	100%	100%	100%
2. Percent of bond offering disclosures that were reviewed by the City's Disclosure Practices Working Group (DPWG) and received certification	100%	100%	100%
3. Percent of professional development and training goals met by the Department to maintain skilled employees and promote the highest ethical standards	82%	100% ¹	100%
4. Percent of the City's Investor Information Webpage updated with City financial disclosures ² required to be submitted to the designated electronic repository for municipal securities within two business days ³	94%	100%	100%
5. Percent of outstanding City bond issuances actively monitored and reported for compliance with bond covenants	100%	100%	100%
6. Percent of City public bond offerings priced similarly to comparable credits within the same timeframe	100%	100%	100%

1. New tracking process is in place to ensure 100 percent compliance with required staff training.
2. Financial disclosures are material event notices (defined by SEC Rule 15c 2-12), such as bond calls and rating changes, continuing disclosure annual reports, and comprehensive annual financial reports.
3. Effective Fiscal Year 2012, this target requires updates to occur within two business days compared to five business days in previous fiscal years.

Service Efforts and Accomplishments

In July 2013, Debt Management conducted the issuance of the Lease Revenue Bonds, Series 2013 A & B, funding approximately \$35.0 million in capital improvement projects to repair additional streets and storm drains and fund facilities. The bond issuance also contained two economic refundings (San Diego Old Town Light Rail Transit Extension Refunding Lease Revenue Bonds, Series 2003, and the Balboa Park/Mission Bay Park Refunding Certificates of Participation, Series 2003). The two refundings generated 4.8 percent in net present value savings in General Fund debt service or approximately \$1.2 million in gross cumulative cash flow savings over the remaining life of these bonds. In January 2014, the City Council approved the issuance of additional Lease Revenue Bonds, in one or more series, to fund the next phase of deferred capital improvement projects in an amount up to \$120.0 million. The Department is currently working on the execution of the first series of bonds (2014A Bonds) under this authorization; the 2014A Bonds are expected to be issued in the second quarter of 2014, generating approximately \$66.0 million in proceeds.

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In July 2013, Debt Management also facilitated the issuance of the City of San Diego Assessment District No. 4096 (Piper Ranch) Limited Obligation Refunding Bonds to refund the previously issued City of San Diego Assessment District No. 4096 (Piper Ranch) Limited Obligation Improvement Bonds (the "2004 Bonds"). The 2004 bonds were issued to finance certain street, sewer, and storm drain improvements within the District. With a par issue size of \$3.8 million, the refunding generated 4.8 percent in net present value savings to the District or approximately \$392,000 in gross cumulative cash flow savings over the remaining life of these bonds, which benefits the property owners in the District.

In January 2014, Debt Management completed the execution of a master lease agreement for approximately \$20.0 million for the funding annual City fleet replacement needs and other essential public safety equipment and vehicles, and in an amount up to \$26.0 million for the refinancing of eligible outstanding leases in order to lower existing lease payment costs. The Department also actively manages the outstanding lease purchase portfolio consisting of approximately 100 leases with an outstanding principal of approximately \$63.0 million as of December 2013.

Debt Management is monitoring progress on two established milestones necessary to proceed with financing activities related to the San Diego Convention Center Phase III Expansion Project. The milestones are codified by City Council Ordinance (O-20209), which authorized the levy of the special tax subject to the following: 1) the successful final validation judgment concerning Convention Center Facilities District No. 2012-1 (District) and related special tax; and 2) California Coastal Commission approval of the Port Master Plan Amendment to incorporate the Project. Pending such milestones, Debt Management anticipates initiating the Special Tax levy and conducting the financing allowing for the implementation of the Project. Debt Management completed the formation of the District in Fiscal Year 2012 to provide a primary financing mechanism for the Project based on the legal framework authorized under the Mello-Roos Community Facilities Act of 1982. City Council approved the Special Tax Ordinance for the District, which facilitates the levy of special taxes within the District, and authorized a plan of finance in Fiscal Year 2013.

Post-issuance administration and compliance continues to be a priority for the Department. Debt Management manages an outstanding debt portfolio of approximately \$2.7 billion, including General Fund, Enterprise Funds, and Special District outstanding bonds. In addition, administration of a portion of the former Redevelopment Agency (RDA)-issued bonds and RDA credit-related matters were transitioned to Debt Management after the dissolution of the RDA in 2012. The activities conducted in managing the portfolio include coordination and preparation of continuing disclosures in conformance with federal securities laws and the payment of debt service funded by the Recognized Obligation Payment Schedule (ROPS). In Fiscal Year 2014, the Department also facilitated the enrollment of \$14.2 million of special taxes and special assessments on over 8,000 parcels of land to provide for annual debt service on approximately \$117.0 million of outstanding special tax and special assessment bonds issued to finance public infrastructure improvements within the districts.

In addition to the financing and post-issuance activities described above, Debt Management provides consultation, as requested by City departments, on the financing feasibility of various departmental initiatives. Debt Management played an integral role in analyzing the key elements of the new criteria instituted by Standard and Poor's Rating Services (S&P) for rating the creditworthiness of United States Local Governments, and coordinating resources from the Office of the City Comptroller and Financial Management Department to present the requisite information and financial results to S&P. On December 20, 2013, following its review of the City under the new criteria, S&P raised the City's issuer credit rating to AA from AA-. The City's General Fund lease revenue bonds credit rating was also raised to AA- from A+ and S&P confirmed its outlook of "stable" for the City.

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Department Summary

	FY2013 Actual	FY2014 Budget	FY2015 Proposed	FY2014–2015 Change
FTE Positions (Budgeted)	18.00	19.00	19.00	0.00
Personnel Expenditures	\$ 1,938,055	\$ 2,265,514	\$ 2,206,166	\$ (59,348)
Non-Personnel Expenditures	194,286	182,297	193,807	11,510
Total Department Expenditures	\$ 2,132,340	\$ 2,447,811	\$ 2,399,973	\$ (47,838)
Total Department Revenue	\$ 608,706	\$ 548,645	\$ 683,645	\$ 135,000

General Fund

Department Expenditures

	FY2013 Actual	FY2014 Budget	FY2015 Proposed	FY2014–2015 Change
Debt Management	\$ 2,132,340	\$ 2,447,811	\$ 2,399,973	\$ (47,838)
Total	\$ 2,132,340	\$ 2,447,811	\$ 2,399,973	\$ (47,838)

Department Personnel

	FY2013 Budget	FY2014 Budget	FY2015 Proposed	FY2014–2015 Change
Debt Management	18.00	19.00	19.00	0.00
Total	18.00	19.00	19.00	0.00

Significant Budget Adjustments

	FTE	Expenditures	Revenue
Equipment/Support for Information Technology	0.00	\$ 6,707	\$ -
Adjustment to expenditure allocations according to a zero-based annual review of information technology funding requirements and priority analyses.			
Non-Discretionary Adjustment	0.00	4,803	-
Adjustment to expenditure allocations that are determined outside of the department's direct control. These allocations are generally based on prior year expenditure trends and examples of these include utilities, insurance, and rent.			
Salary and Benefit Adjustments	0.00	(59,348)	-
Adjustments to reflect the annualization of the Fiscal Year 2014 negotiated salary compensation schedule, changes to savings resulting from positions to be vacant for any period of the fiscal year, retirement contributions, retiree health contributions, and labor negotiation adjustments.			
Revised Revenue	0.00	-	135,000
Adjustment to reflect Fiscal Year 2015 revenue projections.			
Total	0.00	\$ (47,838)	\$ 135,000

Expenditures by Category

	FY2013 Actual	FY2014 Budget	FY2015 Proposed	FY2014–2015 Change
PERSONNEL				
Personnel Cost	\$ 1,222,032	\$ 1,380,395	\$ 1,397,014	\$ 16,619

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Expenditures by Category (Cont'd)

	FY2013 Actual	FY2014 Budget	FY2015 Proposed	FY2014–2015 Change
Fringe Benefits	716,023	885,119	809,152	(75,967)
PERSONNEL SUBTOTAL	1,938,055	2,265,514	2,206,166	(59,348)
NON-PERSONNEL				
Supplies	\$ 15,197	\$ 25,090	\$ 23,755	\$ (1,335)
Contracts	30,445	48,781	49,518	737
Information Technology	88,457	49,337	56,044	6,707
Energy and Utilities	15,296	14,864	16,614	1,750
Other	3,942	5,049	5,049	-
Transfers Out	40,948	38,176	41,827	3,651
Capital Expenditures	-	1,000	1,000	-
NON-PERSONNEL SUBTOTAL	194,286	182,297	193,807	11,510
Total	\$ 2,132,340	\$ 2,447,811	\$ 2,399,973	\$ (47,838)

Revenues by Category

	FY2013 Actual	FY2014 Budget	FY2015 Proposed	FY2014–2015 Change
Charges for Services	\$ 608,167	\$ 548,645	\$ 683,645	\$ 135,000
Rev from Other Agencies	539	-	-	-
Total	\$ 608,706	\$ 548,645	\$ 683,645	\$ 135,000

Personnel Expenditures

Job Number	Job Title / Wages	FY2013 Budget	FY2014 Budget	FY2015 Proposed	Salary Range	Total
FTE, Salaries, and Wages						
20000149	Associate Economist	3.00	3.00	3.00	\$54,059 - \$65,333	\$ 141,022
20000119	Associate Management Analyst	2.00	2.00	2.00	54,059 - 65,333	83,858
20000539	Clerical Assistant 2	1.00	1.00	1.00	29,931 - 36,067	33,442
20001101	Department Director	1.00	1.00	1.00	59,155 - 224,099	149,999
20001234	Program Coordinator	6.00	7.00	7.00	23,005 - 137,904	600,378
20001222	Program Manager	2.00	2.00	2.00	46,966 - 172,744	223,026
20000015	Senior Management Analyst	2.00	2.00	2.00	59,363 - 71,760	143,520
20000756	Word Processing Operator	1.00	1.00	1.00	31,491 - 37,918	-
	Overtime Budgeted					3,769
	Termination Pay Annual Leave					18,000
FTE, Salaries, and Wages Subtotal		18.00	19.00	19.00		\$ 1,397,014

	FY2013 Actual	FY2014 Budget	FY2015 Proposed	FY2014–2015 Change
Fringe Benefits				
Employee Offset Savings	\$ 18,794	\$ 33,524	\$ 20,780	\$ (12,744)
Flexible Benefits	116,834	136,776	143,771	6,995
Insurance	288	-	-	-
Long-Term Disability	7,083	7,476	4,756	(2,720)
Medicare	15,634	17,642	17,333	(309)
Other Post-Employment Benefits	107,969	112,338	109,440	(2,898)
Retiree Medical Trust	710	652	962	310
Retirement 401 Plan	2,208	2,197	2,883	686
Retirement ADC	340,465	450,649	404,697	(45,952)

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	FY2013 Actual	FY2014 Budget	FY2015 Proposed	FY2014-2015 Change
Retirement DROP	5,332	5,490	5,490	-
Retirement Offset Contribution	841	-	-	-
Risk Management Administration	17,309	17,046	18,504	1,458
Supplemental Pension Savings Plan	61,473	67,713	66,792	(921)
Unemployment Insurance	3,607	3,968	2,722	(1,246)
Workers' Compensation	17,477	29,648	11,022	(18,626)
Fringe Benefits Subtotal	\$ 716,023	\$ 885,119	\$ 809,152	\$ (75,967)
Total Personnel Expenditures			\$ 2,206,166	



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